



September 4, 2019

FINANCIAL SERVICE COMMITTEE - SUBCOMMITTEE ON OVERSIGHT & INVESTIGATION

I DON'T THINK THAT THERE IS ANY DOUBT THAT DISCRIMINATORY FINANCIAL PRACTICES EXIST IN MINORITY COMMUNITIES MAKING IT DIFFICULT TO ASSESS CAPITAL FOR HOME OWNERSHIP AND, BUSINESS CREATION AND BUSINESS EXPANSION.

THE WEALTH GAP CONTINUES TO GROW AS HOME OWNERSHIP DECLINES

FROM A HIGH OF APPROX. 57% TO CURRENTLY 47%. MINORITY BUSINESSES CONTINUE TO STRUGGLE FOR MUCH NEEDED CAPITAL FOR CREATION, ACQUISITION AND GROWTH.

MAJOR BANKS FOR THE MOST PART DO NOT PLACE BANK BRANCHES IN MINORITY AREA, NOR DO THEY ACTIVELY OFFER BORROWING OPPORTUNITIES TO MINORITY BUSINESSES.

I BELIEVE ONE OF THE POTENTIAL SOLUTIONS TO PROMOTING FINANCIAL INCLUSION AND TO STRENGTHEN MINORITY COMMUNITIES IS THRU THE PARTNERING OF MAJOR BANKS WITH MINORITY OWNED AND OPERATED BANKS LOCATED IN MINORITY COMMUNITIES TO PROVIDE ADDITIONAL CAPITAL TO OPERATE.

ANOTHER POTENTIAL SOLUTION TO PROMOTE FINANCIAL INCLUSION IS TO INCREASE FUNDING TO COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFI)

ABOUT THREE (3) YEARS AGO I RECEIVED THE OPPORTUNITY TO SERVE ON THE BOARD OF DIRECTORS OF HOUSTON BUSINESS DEVELOPMENT INC, A CDFI AND NON-PROFIT 501(C)(3) CORPORATION ESTABLISHED TO STIMULATE ECONOMIC GROWTH. I WAS FAMILIAR WITH HBDI, HOWEVER I DID NOT KNOW THE NUMBER OF WAYS THE ORGANIZATION WAS SERVING THE COMMUNITY WHICH INCLUDES IT'S TRAINING AND EDUCATION PROGRAMS FOR SMALL BUSINESSES OWNERS.

UNDER THE LEADSHIP OF MR. MARLON MITCHELL, PRESIDENT AND CEO AND MR LARRY HAWKINS, HBDI STARTED A PROGRAM OF BUYING ABANDON AND RUN-DOWN PROPERTIES IN AROUND THE PALM CENTER AREA (SOUTHEAST HOUSTON) AND TEARING DOWN AND REBUILDING COMMERCIAL AND RESIDENTIAL SITES. THIS EFFORT IS PLAYING AN IMPORTANT ROLE IN REVITALIZING THIS HOUSTON CORRIDOR.

ADDITIONAL, HBDI, AS A U.S. TREASURY CERTIFIED LENDER EXTENDS LOANS TO SMALL BUSINESSES. SINCE EXCEPTION IN 33 YEARS AGO, HBDI HAS FACILITATED OVER \$98M IN SMALL BUSINESS LOANS AND ASSISTED THOUSANDS OF ASPIRING ENTREPRENEURS AND BUSINESS OWNERS WITH ACCESS TO AFFORDABLE CAPITAL AND MANAGEMENT ASSISTANCE NOT READILY AVAILABLE FROM BANKS AND CONVENTIONAL LENDERS. HBDI HAS ALSO SUCCESSFULLY ADMINISTERED SEVERAL GOVERNMENTS FUNDED NON-BANK LOAN PROGRAMS DESIGNED TO

EXPAND THE CAPACITY OF SMALL AND MINORITY BUSINESS ENTERPRISES OPERATING IN LOW-INCOME COMMUNITIES.

ADDITIONALLY, THE CORPORATION ALSO OPERATES AN SBA CERTIFIED DEVELOPMENT COMPANY, MAKING SBA 504 LOANS UP TO \$5.5M THROUGHOUT THE STATE OF TEXAS.

THE LOAN COMMITTEE WHICH CONSIST OF PROFESSIONALS CURRENT AND FORMER BUSINESS OWNERS, UTILITIES PRUDENT BUSINESS PRINCIPLES ...THE SAME AS OTHER LENDING INSTITUTIONS) IN REVIEWING LOANS, BUT WE DIG DEEPER.

CREDIT AND STABILITY ARE IMPORTANT BUT THE LOAN COMMITTEE ALSO SEEKS APPICANTS OF STRONG DOCUMENTED CHARACTER. WE LOOK AT THE STAFF AND THE BUSINESS OPPORTUNITIES THAT ARE AVAILABLE FOR THAT BUSINESS OWNER.

CURRENTLY HBDI SERVES APPROXIMATELY \$5.5M IN LOANS REPRESENTING OVER 300 BORROWERS. THE LOWEST LOAN IS \$3,000 AND THE CURRENT HIGHEST LOAN IS IN EXCESS OF \$400k

BECAUSE CDFI'S HAVE MORE LATITUDE IN REVIEWING COMMUNITY BUSNESSES AND THERE NEEDS, WE FEEL THAT INCREASED CAPITALIZATION OF THESE PROVEN ORGANIZATIONS CAN MAKE A HUGE DIFFERENCE IN THE CREATION AND CAPITALIZATION OF BUSINESSES IN MINORITY COMMUNITIES.